

CITY OF SHELDON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

CITY OF SHELDON

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CITY OF SHELDON

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Kurt Tatsumi	Mayor	January 2010
Mark Postma	Council Member	January 2012
Brad Hindt	Council Member	January 2012
Dave Popkes	Council Member	January 2010
Ron Rensink	Council Member	January 2012
Duane Seehusen	Council Member	January 2010
Scott Wynja	City Manager	
Arlene Budden	Clerk/Treasurer	
Jack DeHoogh	Attorney	
Skip Tanner	Airport Commissioner	July 2009
Glen Zylstra	Airport Commissioner	July 2010
Steve Drenkow	Airport Commissioner	July 2009
Rob Dixon	Airport Commissioner	July 2010
Scott Meinecke	Airport Commissioner	July 2012
Hal Tuttle	Park and Recreation Commissioner	July 2009
Thel Boone	Park and Recreation Commissioner	July 2009
Toni Bart	Park and Recreation Commissioner	July 2012
Jay Theis	Park and Recreation Commissioner	July 2010
Krissa Jacobsma	Park and Recreation Commissioner	July 2010
Kathy VanderVliet	Library Trustee to September 2008	
Ed Stephens	Library Trustee from May 2009	July 2009
Rosalind Geels	Library Trustee	July 2009
Jane Cain	Library Trustee	July 2010
Darlene Krier	Library Trustee	July 2012
Joel Gustafson	Library Trustee	July 2013
Lynda Huisman	Library Trustee	July 2011
Judy Honkomp	Library Trustee	July 2013
Raeanne Tatsumi	Museum Trustee	July 2013
Marlene Pape	Museum Trustee	July 2010
Joe Wildeman	Museum Trustee	July 2010
Cindy Runger	Museum Trustee	July 2009
Mark Klemme	Museum Trustee	July 2010
Mark Poyzer	Museum Trustee from February 2009	July 2013
Adrian Dorsman	Museum Trustee to November 2008	
Pete Hamill	Recreational Trails Board	July 2010
Keith Rolston	Recreational Trails Board	July 2010
Phil Grove	Recreational Trails Board	July 2010
Rich Haack	Recreational Trails Board	July 2009
Lori Cannoy	Recreational Trails Board	July 2009
Jan Neel	Recreational Trails Board	July 2009
Stan Ten Kley	Recreational Trails Board	July 2011
Donna Brinkman	Recreational Trails Board	July 2011
Shirley Letner	Recreational Trails Board	July 2011

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Sheldon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Sheldon as of June 30, 2009 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2010 on our consideration of the City of Sheldon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 31 through 33 are not a required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. Other supplementary information, included in Schedules 1, 2, and 3, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information, included in Schedules 4 and 5, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Winter, Steve & Co LLP

January 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sheldon provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 Financial Highlights

- Receipts of the City's governmental funds decreased by .63% or approximately \$32,400 from fiscal year 2008 to fiscal year 2009. Property taxes increased by approximately \$101,300.
- Disbursements of the City's governmental funds decreased by 19.37% or approximately \$1,499,500 from fiscal year 2008 to fiscal year 2009. A summary of the approximate changes are as follows:

	Increase (Decrease)
Public safety	\$ 198,700
Public works	(237,900)
Health and social services	15,500
Culture and recreation	161,200
Community and economic development	59,300
General government	6,400
Debt service	(212,300)
Capital projects	<u>(1,490,400)</u>
Net change	<u>\$(1,499,500)</u>

- The City's total cash basis net assets decreased 27.85% or approximately \$1,962,900 from June 30, 2008 to June 30, 2009. Of this amount, the cash basis net assets of the governmental activities decreased by approximately \$1,226,900 and the cash basis net assets of the business type activities decreased by approximately \$736,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and information on the City's debt.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents of the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Local Option Sales Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The Internal Service Fund is used to account for the City's self-insurance activities.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

3. Fiduciary funds are used to report assets held in trust or agency capacity for others. The City's fiduciary fund is used to account for employee cafeteria funds.

The required financial statement for fiduciary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Government-Wide Financial Analysis

The City's cash basis net assets decreased by \$1,962,897 for the year ended June 30, 2009. Of this decrease, the cash basis net assets of the governmental activities decreased by \$1,226,896 and cash basis net asset of the business type activities decreased by \$736,001. A summary of the changes is as follows:

Changes in Cash Basis Net Assets For the Year Ended June 30, 2009			
	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Receipts:			
Program receipts:			
Charges for services	\$ 779,607	\$1,533,054	\$2,312,661
Operating grants, contributions, and restricted interest	499,071	2,070	501,141
Capital grants, contributions, and restricted Interest	105,619		105,619
General receipts:			
Property and other city taxes	1,216,149		1,216,149
Tax increment financing	1,849,357		1,849,357
Local option sales tax	569,663		569,663
Unrestricted investment earnings	63,806	68,341	132,147
Unrestricted miscellaneous	29,780		29,780
Proceeds - sale of assets	40,092		40,092
Total receipts	<u>5,153,144</u>	<u>1,603,465</u>	<u>6,756,609</u>

Changes in Cash Basis Net Assets - Continued
For the Year Ended June 30, 2009

Disbursements:			
Public safety	\$ 960,718		\$ 960,718
Public works	952,716		952,716
Health and social services	15,500		15,500
Culture and recreation	533,066		533,066
Community and economic development	368,431		368,431
General government	325,457		325,457
Debt service	1,128,038		1,128,038
Capital projects	1,951,447		1,951,447
Water		\$1,893,223	1,893,223
Sewer		<u>590,910</u>	<u>590,910</u>
Total disbursements	<u>6,235,373</u>	<u>2,484,133</u>	<u>8,719,506</u>
Change in cash basis net assets before transfers	(1,082,229)	(880,668)	(1,962,897)
Net transfers	<u>(144,667)</u>	<u>144,667</u>	<u> </u>
Change in cash basis net assets	(1,226,896)	(736,001)	(1,962,897)
Cash basis net assets - beginning of year	<u>4,476,255</u>	<u>2,570,715</u>	<u>7,046,970</u>
Cash basis net assets - end of year	<u>\$3,249,359</u>	<u>\$1,834,714</u>	<u>\$5,084,073</u>

Individual Major Governmental Fund Analysis

Changes in Fund Balances - Governmental Funds
For the year ended June 30,

	2009 <u>All Funds</u>	2008 <u>All Funds</u>
Receipts	\$5,109,948	\$5,142,347
Disbursements	<u>6,240,898</u>	<u>7,740,393</u>
Net	(1,130,950)	(2,598,046)
Other financing sources (uses)	<u>(104,575)</u>	<u>4,903,793</u>
Increase (decrease) in cash balances	(1,235,525)	2,305,747
Cash balances - beginning of year	<u>4,292,732</u>	<u>1,986,985</u>
Cash balances - end of year	<u>\$3,057,207</u>	<u>\$4,292,732</u>

The governmental funds reported a combined cash balance of \$3,057,207 which was \$1,235,525 less than the balance as of June 30, 2008.

The general, tax increment financing, and local option sales tax funds showed modest changes of \$23,741, \$(25,414), and \$164,155, respectively.

The debt service and capital projects funds reported decreases of \$1,198,412 and \$262,817, respectively. These decreases were due to disbursements in fiscal year 2009 of bond proceeds received in fiscal year 2008.

Individual Major Business Type Fund Analysis

Changes in Net Assets - Proprietary Funds

For the year ended June 30,	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>Enterprise Funds</u>		<u>Internal Service Funds</u>	
Operating receipts	\$1,533,054	\$1,500,252	\$ 464,349	\$ 443,879
Operating disbursements	<u>1,103,828</u>	<u>1,037,255</u>	<u>452,116</u>	<u>472,167</u>
Excess (deficiency) of operating receipts over (under) disbursements	429,226	462,997	12,233	(28,288)
Non-operating receipts (disbursements)	(1,318,671)	(1,204,171)	5,173	13,658
Net transfers	<u>144,667</u>	<u>(20,000)</u>		
Increase (decrease) in cash balances	(744,778)	(761,174)	17,406	(14,630)
Cash balances - beginning of year ..	<u>2,468,131</u>	<u>3,229,305</u>	<u>286,107</u>	<u>300,737</u>
Cash balances - end of year	<u>\$1,723,353</u>	<u>\$2,468,131</u>	<u>\$ 303,513</u>	<u>\$ 286,107</u>

The enterprise funds reported a combined cash balance of \$1,723,353 which was \$744,778 less than the balance as of June 30, 2008.

The water fund showed a decrease of \$802,164 due to the final payment of \$926,029 to Lewis and Clark Rural Water System, Inc. The sewer fund showed an increase of \$57,386.

Budgetary Highlights

The City amended the budget on June 3, 2009. This amendment was needed to budget for additional emergency service fees, a police vehicle replacement, unanticipated snow removal expenses, additional recreation and pool expenses due to an increase in programs and additional capital project expenditures. Actual disbursements did not exceed final budgeted amounts.

Debt Administration

At June 30, 2009, the City had \$8,520,655 in bonds and other long-term debt, compared to \$9,486,362 last year as shown below.

Outstanding Debt at Year-End

	June 30,	
	<u>2009</u>	<u>2008</u>
Tax increment financing	\$2,876,333	\$3,107,522
Sewer revenue note	518,000	555,000
Water revenue note	1,714,913	1,809,688
Sales and service tax bonds	775,000	890,000
General obligation bonds	2,345,000	2,815,000
Airport improvement loan	<u>291,409</u>	<u>309,152</u>
Total	<u>\$8,520,655</u>	<u>\$9,486,362</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is well within its constitutional debt limit of \$11,253,605.

Economic Factors and Next Year's Budgets and Rates

Each year, the City of Sheldon's elected officials and department heads consider various factors that contribute to the establishment of the proposed budget. This includes tax rates, fees for services, grants and other various funding sources. Over the last several years, the City Council has considered rate changes and other revenue streams to help offset the increased operating expenses. Once again this year, many factors helped to determine the 2009-2010 budget.

As in past years, city department heads, boards, and commissions reviewed and updated the five-year capital improvement plans. This is usually done in preparation for the budget process. Once again, a number of items that were included on this list have been incorporated into the 2009-2010 budget. We continue to evaluate the general fund as the roll-back continues to have an adverse impact on the revenue in this fund. We also continue to monitor our Urban Renewal Districts (TIF) and consider any potential impacts they may create with increased valuations. We also continue to evaluate and compare ourselves with tax rates and utility rates of other Northwest Iowa communities. With the concern over the economy as a whole, the council agreed to maintain the current levy rate and held the utility rates the same for this coming budget year. We will continue to evaluate these on an annual basis.

Comparisons 2008-2009 to 2009-2010 Management Analysis

In preparing for the 2009-2010 budget year, the City Council wanted to make sure we held levels as close as possible to the same tax levy rate and user fees as 2008-2009. At the same time, we wanted to continue the same level of service to the community. We anticipate a small increase of approximately \$16,000 in the general fund for 2009-2010. This has been somewhat uncommon over the last several years due to the residential roll-back. The City Council had to deal with many challenges of offset and fund the increase in expenditures in various areas. A majority of this was done by using reserve funds and other sources to cover some of the needed capital items.

In 2008-2009, the City Council approved the use of an Essential Corporate Purpose Bond to cover a number of capital projects in that budget year. The debt levy had decreased for several years and a bond issue made good sense for these essential projects. That of course created a slight increase in the debt levy. For the 2009-2010 year, the council wanted to make

sure to maintain the same tax levy rate, yet make some needed improvements for the community. We had some remaining funds from the bond that were used for street improvements; and also with the insertion of some additional funds through the road use tax fund, we will be able to overlay some additional areas. Funding for the 2009-2010 capital projects is being done from various sources. We once again utilize TIF funds for many needed infrastructure upgrades and repairs and the use of Local Option Sales Tax for economic betterment projects. These have been proven economic tools to complete a number of projects. We also will use depreciation funds in an emergency services reserve account for the final payment of the new fire/rescue truck and some other basic emergency service items.

Some of the other projects and equipment items will be purchased and completed through various reserve funds. Many of the smaller projects and equipment purchases in the Street, Police, Park, Airport, Museum, and Library departments will be paid from these sources.

Once again, there appears to be a slight growth in tax increment financing funds(TIF). There are a variety of capital projects that will be funded with TIF which include: water main extensions, Country Club Road Improvements, North 21st Street drainage improvements, Highway I8/Country Club Road Intersection improvements, 330th Lift Station upgrade, and additional infrastructure development in Sheldon Crossing. As the community continues to develop and grow, TIF will continue to be a valuable tool to promote and enhance this economic growth. Continued development in Sheldon Crossing and Runger's Addition will continue as long as there is a need for development ground. Local Option Sales Tax Funds(LOST) have also been an excellent tool to promote economic betterment. The funds are being used for additional street lighting, trails maintenance and improvements, new Welcome Signs, and toward the new Lifelong Learning and Recreation Center through a partnership with Northwest Iowa Community College. The City Council continues to analyze the TIF situation and determine the appropriate need for the community. They will continue to consider districts that could be released from TIF; but with the amount of debt that is currently in these areas, the City shows a great need to capture these funds for various payments and capital projects.

The business type activities for the water and sewer fund did not include a rate increase for the 2009-2010. As mentioned previously, the City Council agreed to keep tax rates and user fees consistent with the previous year for community economic reasons. The council will need to continue to evaluate and analyze these rates each year going forward. As expenses for these services continue to increase, the rates charged to provide these services will also have to increase. The water and wastewater departments plan to share in the cost of computer software upgrades in the office for utility services. The water department plans to purchase some additional meter reading equipment and continue with the water main extension program. There are a couple of large water main projects planned in the next year in the middle of the community to improve water quality and pressure. The City continues to be a member of the Lewis and Clark Regional Water System. When completed, the City of Sheldon will be allocated 1.3 million gallons of water on a daily basis. This will provide an excellent resource of water for years to come.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Arlene Budden, City Clerk/Treasurer or Scott Wynja, City Manager, 416 9th St., Sheldon, Iowa, 51201.

BASIC FINANCIAL STATEMENTS

CITY OF SHELDON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

			Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 960,718	\$ 252,730	\$ 20,389
Public works	952,716	314,455	410,084
Health and social services	15,500		
Culture and recreation	533,066	183,075	30,802
Community and economic development	368,431	4,744	15,503
General government	325,457	22,788	155
Debt service	1,128,038		22,138
Capital projects	<u>1,951,447</u>	<u>1,815</u>	
Total governmental activities	<u>6,235,373</u>	<u>779,607</u>	<u>499,071</u>
Business type activities:			
Water	1,893,223	877,963	1,035
Sewer	<u>590,910</u>	<u>655,091</u>	<u>1,035</u>
Total business type activities	<u>2,484,133</u>	<u>1,533,054</u>	<u>2,070</u>
 TOTAL	 <u>\$8,719,506</u>	 <u>\$2,312,661</u>	 <u>\$501,141</u>
General Receipts:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted investment earnings			
Unrestricted miscellaneous			
Proceeds - sale of assets			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS -			
BEGINNING OF YEAR			
CASH BASIS NET ASSETS - END OF YEAR			
CASH BASIS NET ASSETS:			
Restricted for:			
Streets			
Urban renewal purpose			
Debt service			
Sewer improvement and replacement ...			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

Exhibit A

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ 1,950	\$ (685,649)		\$ (685,649)
75,695	(152,482)		(152,482)
	(15,500)		(15,500)
4,371	(314,818)		(314,818)
1,000	(347,184)		(347,184)
	(302,514)		(302,514)
	(1,105,900)		(1,105,900)
22,603	(1,927,029)		(1,927,029)
<u>105,619</u>	<u>(4,851,076)</u>		<u>(4,851,076)</u>
		\$(1,014,225)	\$(1,014,225)
		65,216	65,216
		<u>(949,009)</u>	<u>(949,009)</u>
<u>\$105,619</u>	<u>(4,851,076)</u>	<u>(949,009)</u>	<u>(5,800,085)</u>
	1,064,860		1,064,860
	151,289		151,289
	1,849,357		1,849,357
	569,663		569,663
	63,806	68,341	132,147
	29,780		29,780
	40,092		40,092
	<u>(144,667)</u>	<u>144,667</u>	
	<u>3,624,180</u>	<u>213,008</u>	<u>3,837,188</u>
	(1,226,896)	(736,001)	(1,962,897)
	<u>4,476,255</u>	<u>2,570,715</u>	<u>7,046,970</u>
	<u>\$3,249,359</u>	<u>\$ 1,834,714</u>	<u>\$ 5,084,073</u>
	\$ 64,073		\$ 64,073
	101,083		101,083
	350,353	\$ 14,290	364,643
		169,132	169,132
	1,157,058		1,157,058
	<u>1,576,792</u>	<u>1,651,292</u>	<u>3,228,084</u>
	<u>\$3,249,359</u>	<u>\$ 1,834,714</u>	<u>\$ 5,084,073</u>

See Notes to Financial Statements

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 659,623		
Tax increment financing		\$1,849,357	
Other city taxes	59,354		\$569,663
Licenses and permits	10,757		
Use of money and property	77,064	10,162	18,428
Intergovernmental	104,668		
Charges for service	626,339		
Special assessments	1,815		
Miscellaneous	106,557	2,100	10,903
TOTAL RECEIPTS	<u>1,646,177</u>	<u>1,861,619</u>	<u>598,994</u>
DISBURSEMENTS:			
Public safety	766,374		
Public works	420,907		
Health and social services	15,500		
Culture and recreation	489,414		
Community and economic development	16,530	311,490	1,190
General government	194,527		110,404
Debt service		366,802	149,460
Capital projects		482,173	69,186
TOTAL DISBURSEMENTS	<u>1,903,252</u>	<u>1,160,465</u>	<u>330,240</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(257,075)</u>	<u>701,154</u>	<u>268,754</u>
OTHER FINANCING SOURCES:			
Operating transfers in	319,244		
Operating transfers out	(38,428)	(726,568)	(104,599)
Proceeds - sale of assets			
TOTAL OTHER FINANCING SOURCES (USES)	<u>280,816</u>	<u>(726,568)</u>	<u>(104,599)</u>
NET CHANGE IN CASH BALANCES	23,741	(25,414)	164,155
CASH BALANCES - BEGINNING OF YEAR	<u>651,801</u>	<u>430,997</u>	<u>525,120</u>
CASH BALANCES - END OF YEAR	<u>\$ 675,542</u>	<u>\$ 405,583</u>	<u>\$689,275</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service		\$ 304,500	
Unreserved:			
Designated for future equipment purchases	\$ 134,337		
Undesignated:			
General fund	541,205		
Special revenue funds		101,083	\$689,275
Capital projects fund			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 675,542</u>	<u>\$ 405,583</u>	<u>\$689,275</u>

See Notes to Financial Statements

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 147,689		\$ 294,535	\$1,101,847
			1,849,357
3,600		51,348	683,965
			10,757
22,138	\$ 23,385	7,990	159,167
		407,744	512,412
			626,339
			1,815
	22,602	22,127	164,289
<u>173,427</u>	<u>45,987</u>	<u>783,744</u>	<u>5,109,948</u>
		197,817	964,191
		534,845	955,752
			15,500
		43,276	532,690
		39,221	368,431
		19,918	324,849
611,776			1,128,038
	1,400,088		1,951,447
<u>611,776</u>	<u>1,400,088</u>	<u>835,077</u>	<u>6,240,898</u>
<u>(438,349)</u>	<u>(1,354,101)</u>	<u>(51,333)</u>	<u>(1,130,950)</u>
466,637	1,051,192	153,966	1,991,039
(1,226,700)		(39,411)	(2,135,706)
	40,092		40,092
<u>(760,063)</u>	<u>1,091,284</u>	<u>114,555</u>	<u>(104,575)</u>
(1,198,412)	(262,817)	63,222	(1,235,525)
1,244,265	971,915	468,634	4,292,732
<u>\$ 45,853</u>	<u>\$ 709,098</u>	<u>\$ 531,856</u>	<u>\$3,057,207</u>
\$ 45,853			\$ 350,353
			134,337
			541,205
	\$ 709,098	\$ 531,856	1,322,214
			709,098
<u>\$ 45,853</u>	<u>\$ 709,098</u>	<u>\$ 531,856</u>	<u>\$3,057,207</u>

CITY OF SHELDON
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND
 NET ASSETS - GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B \$ 3,057,207

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the assets of the internal service fund are included in governmental
 activities in the Statement of Net Assets. 192,152

CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$ 3,249,359

NET CHANGE IN CASH BALANCES PER EXHIBIT B \$(1,235,525)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the change in net assets of the internal service fund is reported with
 governmental activities. 8,629

CHANGE IN CASH BASIS NET ASSETS OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$(1,226,896)

CITY OF SHELTON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
OPERATING RECEIPTS:				
Charges for services	\$ 860,543	\$ 649,061	\$1,509,604	
Reimbursements from operating funds				\$413,304
Reimbursements from employees and insurance				51,045
Miscellaneous:				
Miscellaneous	<u>17,420</u>	<u>6,030</u>	<u>23,450</u>	
TOTAL OPERATING RECEIPTS	<u>877,963</u>	<u>655,091</u>	<u>1,533,054</u>	<u>464,349</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	604,180	499,648	1,103,828	
Insurance charges and claims				<u>452,116</u>
TOTAL OPERATING DISBURSEMENTS	<u>604,180</u>	<u>499,648</u>	<u>1,103,828</u>	<u>452,116</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>273,783</u>	<u>155,443</u>	<u>429,226</u>	<u>12,233</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	56,616	11,725	68,341	5,173
Purchase of capital assets	(1,115,630)	(35,860)	(1,151,490)	
Debt service payments:				
Revenue note principal	(94,775)	(37,000)	(131,775)	
Revenue note interest	<u>(81,991)</u>	<u>(21,756)</u>	<u>(103,747)</u>	
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(1,235,780)</u>	<u>(82,891)</u>	<u>(1,318,671)</u>	<u>5,173</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(961,997)</u>	<u>72,552</u>	<u>(889,445)</u>	<u>17,406</u>
TRANSFERS:				
Operating transfers in	175,000	35,000	210,000	
Operating transfers out	<u>(15,167)</u>	<u>(50,166)</u>	<u>(65,333)</u>	
TOTAL TRANSFERS - NET	<u>159,833</u>	<u>(15,166)</u>	<u>144,667</u>	
NET CHANGE IN CASH BALANCES	(802,164)	57,386	(744,778)	17,406
CASH BALANCES - BEGINNING OF YEAR	<u>2,110,678</u>	<u>357,453</u>	<u>2,468,131</u>	<u>286,107</u>
CASH BALANCES - END OF YEAR	<u>\$1,308,514</u>	<u>\$ 414,839</u>	<u>\$1,723,353</u>	<u>\$303,513</u>

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Revenue note retirement		\$ 14,290	\$ 14,290	
Sewer improvement		90,000	90,000	
Sewer replacement		79,132	79,132	
Unrestricted	<u>\$1,308,514</u>	<u>231,417</u>	<u>1,539,931</u>	<u>\$ 303,513</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$1,308,514</u>	<u>\$ 414,839</u>	<u>\$1,723,353</u>	<u>\$ 303,513</u>

CITY OF SHELDON
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND
 NET ASSETS - PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$1,723,353

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the assets of the internal service fund are included in governmental
 activities in the Statement of Net Assets. 111,361

CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A \$1,834,714

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. \$ (744,778)

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the change in net assets of the internal service fund is reported with
 business type activities. 8,777

CHANGE IN CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$ (736,001)

CITY OF SHELDON
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES - FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	Agency Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR	\$ 6,810
RECEIPTS:	
Contributions	5,100
DISBURSEMENTS:	
Cafeteria plan benefits paid	<u>(11,810)</u>
CASH BALANCE - END OF YEAR	<u>\$ 100</u>

CITY OF SHELTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. It was determined that the City has no component units.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Iowa Area Solid Waste Agency, O'Brien County Emergency Management Association, O'Brien County E911 Board, Lewis and Clark Regional Water System, and other various organizations.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund - Agency Fund is used to account for assets held by the City as an agent for individuals.

C. Measurement Focus and Basis of Accounting

The City of Sheldon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed budgeted amounts.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2009 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2009:

Cash on hand	\$ 160
Demand deposits	227,082
Certificates of deposit/savings accounts	2,964,752
Repurchase agreements	<u>1,892,179</u>
	<u>\$5,084,173</u>

The City's investments in repurchase agreements are collateralized by obligations of the United States government or its agencies. The City has signed a custodial agreement with the custodian. The repurchase agreements are reported at cost, which approximates market value. These investments are insured or registered with the securities held by the City or its agent in the City's name.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	Governmental Activities				Tax Increment Financing Revenue Bonds	
	General Obligation Bonds/Notes		Sales and Service Tax Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 500,000	\$ 84,183	\$ 120,000	\$ 30,522	\$ 210,000	\$124,540
2011	515,000	66,983	125,000	26,322	215,000	116,350
2012	535,000	47,932	125,000	21,698	225,000	107,750
2013	120,000	26,935	130,000	16,822	235,000	98,525
2014	125,000	23,275	135,000	11,623	245,000	88,773
2015	130,000	19,275	140,000	6,020	255,000	78,360
2016	135,000	14,920			265,000	67,267
2017	140,000	10,263			280,000	55,475
2018	145,000	5,292			290,000	42,875
2019					305,000	29,535
2020					320,000	15,200
Total	<u>\$2,345,000</u>	<u>\$299,058</u>	<u>\$ 775,000</u>	<u>\$113,007</u>	<u>\$2,845,000</u>	<u>\$824,650</u>

Governmental Activities - Continued

Year Ending June 30,	Runners Interim TIF Loan		USDA Airport Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 31,333	\$ 1,028	\$ 18,586	\$ 13,842	\$ 879,919	\$ 254,115
2011			19,469	12,959	874,469	222,614
2012			20,394	12,034	905,394	189,414
2013			21,362	11,066	506,362	153,348
2014			22,377	10,051	527,377	133,722
2015			23,440	8,988	548,440	112,643
2016			24,553	7,875	424,553	90,062
2017			25,720	6,708	445,720	72,446
2018			26,941	5,487	461,941	53,654
2019			28,221	4,207	333,221	33,742
2020			29,562	2,866	349,562	18,066
2021			30,784	1,462	30,784	1,462
2022						
Total	<u>\$ 31,333</u>	<u>\$ 1,028</u>	<u>\$ 291,409</u>	<u>\$ 97,545</u>	<u>\$6,287,742</u>	<u>\$1,335,288</u>

Revenue Notes

Year Ending June 30,	Sewer Revenue Capital Loan Notes		Water Revenue Capital Loan Note		Total Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 39,000	\$ 20,306	\$ 99,040	\$ 77,593	\$ 138,040	\$ 97,899
2011	40,000	18,777	103,638	72,995	143,638	91,772
2012	42,000	17,209	108,342	68,183	150,342	85,392
2013	43,000	15,562	113,584	63,151	156,584	78,713
2014	45,000	13,877	118,753	57,880	163,753	71,757
2015	47,000	12,113	124,266	52,366	171,266	64,479
2016	49,000	10,270	129,963	46,597	178,963	56,867
2017	50,000	8,350	136,137	40,562	186,137	48,912
2018	52,000	6,389	142,390	34,242	194,390	40,631
2019	54,000	4,351	149,001	27,631	203,001	31,982
2020	57,000	2,234	155,888	20,714	212,888	22,948
2021			163,180	13,476	163,180	13,476
2022			170,731	5,900	170,731	5,900
Total	<u>\$ 518,000</u>	<u>\$129,438</u>	<u>\$1,714,913</u>	<u>\$581,290</u>	<u>\$2,232,913</u>	<u>\$710,728</u>

General Obligation Bonds/Notes

The City's total general obligation bonds/notes at June 30, 2009 were \$2,345,000.

Sales and Service Tax Bonds

On October 3, 1995, the residents of the City approved a local option sales tax at the rate of 1%. The revenues must be applied 37.5% for property tax relief and 62.5% for community betterment. The City has issued sales and service tax bonds to defray the cost of the Community Services Center project in accordance with Chapter 422B. The bonds are payable from 62.5% of the local option sales tax collected. If the 62.5% is insufficient to pay the bonds and interest, the shortfall may be paid from debt service. Therefore, the bonds are a general obligation of the City.

Tax Increment Financing Revenue Bonds

The City issued \$3,045,000 of urban renewal revenue annual appropriation capital loan notes in October 2007 for the purpose of defraying a portion of the costs of an aquatic center within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City council. Therefore, only the principal and interest appropriated by the council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2010 is \$334,540 including principal and interest. For the current year, principal and interest paid and TIF receipts were \$332,140 and \$1,849,357, respectively.

Revenue Notes

The City has pledged future wastewater customer receipts, net of specific operating disbursements, to repay the \$814,000 sewer revenue capital loan notes issued in September 1999. Proceeds from the notes provided financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payables through 2020. Annual principal and interest payments are expected to require less than 40% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$647,438. For the current year, principal and interest paid and total customer net receipts were \$58,756 and \$155,443, respectively.

The resolution providing for the issuance of the sewer revenue capital loan note include the following provisions:

- (A) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) Additional monthly transfers of \$2,500 to a sewer improvement account shall be made until a balance of \$90,000 has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget and for capital improvements to the systems.
- (E) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2009, the City was in compliance with all the sewer revenue note provisions.

The City has also pledged future water customer receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 65% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$2,296,203. For the current year, principal and interest paid and total customer net receipts were \$176,766 and \$273,783, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan note include the following provisions:

- (A) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the note falling due in the same year.

The purchaser of the note has waived provisions (B) and (C). The City was in compliance with the other water revenue note provisions during the year ended June 30, 2009.

Other Long-term Debt

As of June 30, 2009, this debt consisted of the following:

- (1) Rungers Interim TIF Loan - This loan was used to purchase land for resale. The loan has an unpaid balance of \$31,333 as of June 30, 2009. The loan calls for monthly payments of \$2,855 including interest at 6.35%. The City will make these payments from TIF revenues. The loan is secured by real property.
- (2) Airport Loan - This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of \$291,409 as of June 30, 2009, which will be paid from the general fund. The notes call for annual payments of \$32,428 including interest at 4.75%.

4. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 22,056
	FICA/IPERS	12,189
	Local option sales tax	20,500
	Road use tax	5,166
	Debt service	229,000
	Proprietary:	
	Enterprise:	
	Water	15,167
	Sewer	15,166
		<u>319,244</u>

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 38,428
	Special Revenue:	
	Tax increment financing	<u>428,209</u>
		<u>466,637</u>
Capital Projects	Debt Service	760,000
	Special Revenue:	
	Tax increment financing	251,192
	Local option sales tax	5,000
	Proprietary:	
	Enterprise:	
	Sewer	<u>35,000</u>
		<u>1,051,192</u>
Special Revenue:	Special Revenue:	
FICA/IPERS	Local option sales tax	<u>79,099</u>
Special Revenue:	Special Revenue:	
LMI	Tax increment financing	<u>47,167</u>
Special Revenue:		
Road use tax	Debt Service	<u>27,700</u>
Proprietary:		
Enterprise:		
Water	Debt Service	<u>175,000</u>
Proprietary:		
Enterprise:		
Sewer	Debt Service	<u>35,000</u>
TOTAL INTERFUND TRANSFERS		<u>\$2,201,039</u>

5. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$84,712, \$77,232, and \$74,900, respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2009 is as follows:

Governmental activities:	
General fund	\$ 67,440
Special revenue:	
Road use tax	<u>15,190</u>
Total governmental activities	<u>82,630</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water	20,903
Sewer	<u>29,356</u>
Total business type activities	<u>50,259</u>
TOTAL	<u>\$132,889</u>

7. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES

The City has issued a total of \$11,880,000 of Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa, of which \$7,550,949 is outstanding at June 30, 2009. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

8. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$119,345 during the year ended June 30, 2009. See item 09-II-D in the Schedule of Findings.

9. CONTRACT AND OTHER COMMITMENTS

The City has entered into construction contracts for various projects. A summary of the contracts is as follows:

Contract total	\$ 967,204
Completed as of June 30, 2009	<u>705,608</u>
Uncompleted	<u>\$ 261,596</u>

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

10. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the City entered into three construction projects totaling \$658,300 for lift station improvements, an airport hanger, and Runger 1st Addition improvements. The City has also agreed to share in the cost of a county paving project. The City's share is expected to be approximately \$50,000.

The sewer revenue note was refinanced which reduced the interest rate from 3.92% to 3.00% effective December 1, 2009. All other terms remain the same.

11. SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK

In the course of selling water and sewer services, the City grants credit to customers, all of whom are local residents.

12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$104,585.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess

coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. COLLECTIVE BARGAINING AGREEMENT

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHELTON
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$1,101,847		\$1,101,847
Other city taxes	683,965		683,965
Tax increment financing revenues	1,849,357		1,849,357
Licenses and permits	10,757		10,757
Use of money and property	159,167	\$ 73,514	232,681
Intergovernmental	512,412		512,412
Charges for services	626,339	1,922,908	2,549,247
Special assessments	1,815		1,815
Miscellaneous	169,389	74,495	243,884
TOTAL RECEIPTS	<u>5,115,048</u>	<u>2,070,917</u>	<u>7,185,965</u>
DISBURSEMENTS:			
Program:			
Public safety	964,191		964,191
Public works	955,752		955,752
Health and social services	15,500		15,500
Culture and recreation	532,690		532,690
Community and economic development	368,431		368,431
General government	324,849		324,849
Debt service	1,128,038		1,128,038
Capital projects	1,951,447		1,951,447
Business type		2,490,840	2,490,840
Non-program	11,810	452,116	463,926
TOTAL DISBURSEMENTS	<u>6,252,708</u>	<u>2,942,956</u>	<u>9,195,664</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,137,660)</u>	<u>(872,039)</u>	<u>(2,009,699)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	1,991,039	210,000	2,201,039
Operating transfer out	(2,135,706)	(65,333)	(2,201,039)
Proceeds - sale of assets	40,092		40,092
TOTAL OTHER FINANCING SOURCES (USES)	<u>(104,575)</u>	<u>144,667</u>	<u>40,092</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	<u>(1,242,235)</u>	<u>(727,372)</u>	<u>(1,969,607)</u>
BALANCE - BEGINNING OF YEAR	<u>4,299,542</u>	<u>2,754,238</u>	<u>7,053,780</u>
BALANCE - END OF YEAR	<u>\$3,057,307</u>	<u>\$2,026,866</u>	<u>\$5,084,173</u>

Less Funds Not Required to be <u>Budgeted</u>	<u>Net Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
	\$1,101,847	\$1,094,639	\$1,094,639	\$ 7,208
	683,965	564,710	714,710	(30,745)
	1,849,357	1,747,453	1,747,453	101,904
	10,757	10,750	10,750	7
\$ 5,173	227,508	138,445	138,445	89,063
	512,412	581,970	660,518	(148,106)
413,304	2,135,943	2,035,850	2,125,850	10,093
	1,815	95	95	1,720
<u>56,145</u>	<u>187,739</u>	<u>205,425</u>	<u>256,327</u>	<u>(68,588)</u>
<u>474,622</u>	<u>6,711,343</u>	<u>6,379,337</u>	<u>6,748,787</u>	<u>(37,444)</u>
	964,191	926,352	970,852	6,661
	955,752	858,152	962,130	6,378
	15,500	15,499	15,500	
	532,690	535,091	576,191	43,501
	368,431	379,632	390,679	22,248
	324,849	336,765	341,765	16,916
	1,128,038	1,131,705	1,131,705	3,667
	1,951,447	1,814,000	2,408,968	457,521
	2,490,840	1,619,651	2,552,772	61,932
<u>463,926</u>				
<u>463,926</u>	<u>8,731,738</u>	<u>7,616,847</u>	<u>9,350,562</u>	<u>618,824</u>
<u>10,696</u>	<u>(2,020,395)</u>	<u>(1,237,510)</u>	<u>(2,601,775)</u>	<u>581,380</u>
	2,201,039	2,564,470	2,564,470	(363,431)
	(2,201,039)	(2,564,470)	(2,564,470)	363,431
	<u>40,092</u>	<u>90,000</u>	<u>90,000</u>	<u>(49,908)</u>
	<u>40,092</u>	<u>90,000</u>	<u>90,000</u>	<u>(49,908)</u>
10,696	(1,980,303)	(1,147,510)	(2,511,775)	531,472
<u>292,917</u>	<u>6,760,863</u>	<u>6,586,849</u>	<u>7,053,621</u>	<u>(292,758)</u>
<u>\$303,613</u>	<u>\$4,780,560</u>	<u>\$5,439,339</u>	<u>\$4,541,846</u>	<u>\$ 238,714</u>

CITY OF SHELDON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,733,715. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SHELDON
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	Road Use
RECEIPTS:			
Property tax		\$273,346	
Other city taxes		11,297	
Use of money and property	\$ 1,343	1,189	
Intergovernmental			\$407,744
Miscellaneous	<u>50</u>	<u></u>	<u></u>
TOTAL RECEIPTS	<u>1,393</u>	<u>285,832</u>	<u>407,744</u>
DISBURSEMENTS:			
Public safety		197,817	
Public works		137,797	397,048
Culture and recreation		39,493	
Community and economic development	37		
General government	<u></u>	<u>19,918</u>	<u></u>
TOTAL DISBURSEMENTS	<u>37</u>	<u>395,025</u>	<u>397,048</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,356</u>	<u>(109,193)</u>	<u>10,696</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in		79,099	27,700
Operating transfers out	<u></u>	<u>(12,189)</u>	<u>(5,166)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u></u>	<u>66,910</u>	<u>22,534</u>
NET CHANGE IN CASH BALANCES	1,356	(42,283)	33,230
CASH BALANCES - BEGINNING OF YEAR	<u>44,214</u>	<u>137,097</u>	<u>30,843</u>
CASH BALANCES - END OF YEAR	<u>\$ 45,570</u>	<u>\$ 94,814</u>	<u>\$ 64,073</u>
CASH BASIS FUND BALANCES:			
Unreserved:			
Special revenue funds	<u>\$ 45,570</u>	<u>\$ 94,814</u>	<u>\$ 64,073</u>

<u>Special Revenue Funds</u>				
<u>LMI</u>	<u>Emergency</u>	<u>Hotel/Motel Tax</u>	<u>Trails Maintenance</u>	<u>Total</u>
	\$ 21,189			\$ 294,535
	867	\$ 39,184		51,348
\$ 2,612			\$ 2,846	7,990
				407,744
<u>14,160</u>			<u>7,917</u>	<u>22,127</u>
<u>16,772</u>	<u>22,056</u>	<u>39,184</u>	<u>10,763</u>	<u>783,744</u>
				197,817
				534,845
			3,783	43,276
		39,184		39,221
				<u>19,918</u>
		<u>39,184</u>	<u>3,783</u>	<u>835,077</u>
<u>16,772</u>	<u>22,056</u>		<u>6,980</u>	<u>(51,333)</u>
47,167				153,966
	<u>(22,056)</u>			<u>(39,411)</u>
<u>47,167</u>	<u>(22,056)</u>			<u>114,555</u>
63,939			6,980	63,222
<u>105,470</u>			<u>151,010</u>	<u>468,634</u>
<u>\$169,409</u>	<u>\$</u>	<u>\$</u>	<u>\$157,990</u>	<u>\$ 531,856</u>
<u>\$169,409</u>	<u>\$</u>	<u>\$</u>	<u>\$157,990</u>	<u>\$ 531,856</u>

CITY OF SHELDON
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>	<u>Final Due Date</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
General Obligation Bonds/Notes:				
Taxable capital loan notes	11-15-2004	4.50 - 5.05%	\$1,535,000	6-01-2012
Capital loan notes, series 2008	4-01-2008	2.50 - 3.65%	1,860,000	6-01-2018
Total General Obligation Bonds/Notes				
Tax Increment Financing Bonds:				
Urban renewal revenue annual appropriation capital loan notes	10-19-2007	3.90 - 4.75%	3,045,000	6-01-2020
Sales and Service Tax Bonds:				
Refunding bonds	5-01-2003	3.50 - 4.30%	1,415,000	6-01-2015
Other Long-Term Debt:				
Runners interim TIF loan	4-20-2000	6.35%	250,000	5-25-2010
USDA airport loan	6-06-2001	4.75%	400,000	6-05-2021
Total				
TOTAL GOVERNMENTAL ACTIVITIES				
<u>BUSINESS TYPE ACTIVITIES:</u>				
Revenue Notes:				
Sewer revenue capital loan notes	9-15-1999	3.92%	814,000	6-01-2020
Water revenue capital loan notes	3-25-2007	4.59%	1,900,000	6-01-2022
TOTAL BUSINESS TYPE ACTIVITIES				

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 955,000		\$220,000	\$ 735,000	\$ 44,562	
<u>1,860,000</u>		<u>250,000</u>	<u>1,610,000</u>	<u>63,986</u>	
<u>2,815,000</u>		<u>470,000</u>	<u>2,345,000</u>	<u>108,548</u>	
<u>3,045,000</u>		<u>200,000</u>	<u>2,845,000</u>	<u>132,140</u>	
<u>890,000</u>		<u>115,000</u>	<u>775,000</u>	<u>34,260</u>	
62,522		31,189	31,333	3,073	
<u>309,152</u>		<u>17,743</u>	<u>291,409</u>	<u>14,685</u>	
<u>371,674</u>		<u>48,932</u>	<u>322,742</u>	<u>17,758</u>	
<u>\$7,121,674</u>		<u>\$833,932</u>	<u>\$6,287,742</u>	<u>\$292,706</u>	
\$ 555,000		\$ 37,000	\$ 518,000	\$ 21,756	
<u>1,809,688</u>		<u>94,775</u>	<u>1,714,913</u>	<u>81,991</u>	
<u>\$2,364,688</u>		<u>\$131,775</u>	<u>\$2,232,913</u>	<u>\$103,747</u>	

CITY OF SHELDON
BOND AND NOTE MATURITIES
FOR THE YEAR ENDED JUNE 30, 2009

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes Issued 4-1-2008		Taxable Capital Loan Notes Issued 11-15-2004		Total
	Interest Rate	Amount	Interest Rate	Amount	
2010	2.50%	\$ 265,000	4.50%	\$ 235,000	\$ 500,000
2011	2.70%	270,000	4.80%	245,000	515,000
2012	2.90%	280,000	5.05%	255,000	535,000
2013	3.05%	120,000			120,000
2014	3.20%	125,000			125,000
2015	3.35%	130,000			130,000
2016	3.45%	135,000			135,000
2017	3.55%	140,000			140,000
2018	3.65%	145,000			145,000
		<u>\$1,610,000</u>		<u>\$ 735,000</u>	<u>\$2,345,000</u>

Year Ending June 30,	Urban Renewal Revenue Annual Appropriation Issued 10-19-2007		Sales and Service Tax Refunding Bonds Issued 5-1-2003		
	Interest Rate	Amount	Interest Rate	Amount	
2010	3.90%	\$ 210,000	3.50%	\$ 120,000	
2011	4.00%	215,000	3.70%	125,000	
2012	4.10%	225,000	3.90%	125,000	
2013	4.15%	235,000	4.00%	130,000	
2014	4.25%	245,000	4.15%	135,000	
2015	4.35%	255,000	4.30%	140,000	
2016	4.45%	265,000			
2017	4.50%	280,000			
2018	4.60%	290,000			
2019	4.70%	305,000			
2020	4.75%	320,000			
		<u>\$2,845,000</u>		<u>\$ 775,000</u>	

CITY OF SHELDON
BOND AND NOTE MATURITIES - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Other Long-Term Debt

<u>Year Ending June 30,</u>	<u>USDA Airport Loan Issued 6-6-2001</u>		<u>Rungers Interim TIF Loan Issued 4-20-2000</u>		<u>Total</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2010	4.75%	\$ 18,586	6.35%	\$ 31,333	\$ 49,919
2011	4.75%	19,469			19,469
2012	4.75%	20,394			20,394
2013	4.75%	21,362			21,362
2014	4.75%	22,377			22,377
2015	4.75%	23,440			23,440
2016	4.75%	24,553			24,553
2017	4.75%	25,720			25,720
2018	4.75%	26,941			26,941
2019	4.75%	28,221			28,221
2020	4.75%	29,562			29,562
2021	4.75%	<u>30,784</u>			<u>30,784</u>
		<u>\$ 291,409</u>		<u>\$ 31,333</u>	<u>\$ 322,742</u>

Revenue Notes

<u>Year Ending June 30,</u>	<u>Water Revenue Capital Loan Notes Issued 3-25-2007</u>		<u>Sewer Revenue Capital Loan Notes Issued 9-15-1999</u>		<u>Total</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2010	4.59%	\$ 99,040	3.92%	\$ 39,000	\$ 138,040
2011	4.59%	103,638	3.92%	40,000	143,638
2012	4.59%	108,342	3.92%	42,000	150,342
2013	4.59%	113,584	3.92%	43,000	156,584
2014	4.59%	118,753	3.92%	45,000	163,753
2015	4.59%	124,266	3.92%	47,000	171,266
2016	4.59%	129,963	3.92%	49,000	178,963
2017	4.59%	136,137	3.92%	50,000	186,137
2018	4.59%	142,390	3.92%	52,000	194,390
2019	4.59%	149,001	3.92%	54,000	203,001
2020	4.59%	155,888	3.92%	57,000	212,888
2021	4.59%	163,180			163,180
2022	4.59%	<u>170,731</u>			<u>170,731</u>
		<u>\$1,714,913</u>		<u>\$ 518,000</u>	<u>\$2,232,913</u>

OTHER INFORMATION

CITY OF SHELDON
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FIVE YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECEIPTS:					
Property tax	\$1,101,847	\$1,000,580	\$1,088,289	\$1,163,190	\$1,380,145
Tax increment financing	1,849,357	1,381,795	1,215,979	1,146,197	1,010,582
Other City taxes	683,965	591,117	519,010	455,606	461,224
Licenses and permits	10,757	11,838	41,560	10,685	10,473
Use of money and property .	159,167	204,717	143,511	123,571	104,066
Intergovernmental	512,412	1,242,981	1,380,683	520,969	620,081
Charges for services	626,339	490,988	480,405	476,627	467,448
Special assessments	1,815	109	833	653	3,920
Miscellaneous	<u>164,289</u>	<u>218,222</u>	<u>238,533</u>	<u>126,546</u>	<u>73,485</u>
 TOTAL RECEIPTS	 <u>\$5,109,948</u>	 <u>\$5,142,347</u>	 <u>\$5,108,803</u>	 <u>\$4,024,044</u>	 <u>\$4,131,424</u>
 DISBURSEMENTS:					
Public safety	\$ 964,191	\$ 765,503	\$1,011,219	\$ 668,867	\$ 675,878
Public works	955,752	1,193,661	862,975	811,163	794,134
Health and social services ...	15,500				
Culture and recreation	532,690	371,462	500,724	428,609	385,817
Community and economic development	368,431	309,073	837,469	146,387	161,755
General government	324,849	318,461	337,527	319,084	521,762
Debt service	1,128,038	1,340,354	699,461	781,458	1,166,454
Capital projects	<u>1,951,447</u>	<u>3,441,879</u>	<u>1,007,943</u>	<u>824,432</u>	<u>1,672,003</u>
 TOTAL DISBURSEMENTS	 <u>\$6,240,898</u>	 <u>\$7,740,393</u>	 <u>\$5,257,318</u>	 <u>\$3,980,000</u>	 <u>\$5,377,803</u>

CITY OF SHELDON
CAPITAL ASSETS ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
GOVERNMENTAL ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,080,522	\$(2,886,429)		\$ 194,093
Land	<u>406,000</u>	<u> </u>	<u> </u>	<u>406,000</u>
Total capital assets not being depreciated	<u>3,486,522</u>	<u>(2,886,429)</u>	<u> </u>	<u>600,093</u>
Capital assets being depreciated:				
Buildings and improvements	4,404,747	431,503		4,836,250
Aquatic Center		2,731,883		2,731,883
Equipment and vehicles	2,346,840	161,731	\$ (32,554)	2,476,017
Infrastructure	<u>8,229,312</u>	<u>676,539</u>	<u> </u>	<u>8,905,851</u>
Total capital assets being depreciated	<u>14,980,899</u>	<u>4,001,656</u>	<u>(32,554)</u>	<u>18,950,001</u>
TOTAL COST OF CAPITAL ASSETS	<u>18,467,421</u>	<u>1,115,227</u>	<u>(32,554)</u>	<u>19,550,094</u>
ACCUMULATED DEPRECIATION:				
Building and improvements	1,496,124	110,046		1,606,170
Aquatic Center		100,169		100,169
Equipment and vehicles	1,477,968	161,531	(32,554)	1,606,945
Infrastructure	<u>3,721,073</u>	<u>293,345</u>	<u> </u>	<u>4,014,418</u>
TOTAL ACCUMULATED DEPRECIATION	<u>6,695,165</u>	<u>665,091</u>	<u>(32,554)</u>	<u>7,327,702</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$11,772,256</u>	<u>\$ 450,136</u>	<u> </u>	<u>\$12,222,392</u>

CITY OF SHELDON
CAPITAL ASSETS ACTIVITY - Continued
FOR THE YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
BUSINESS TYPE ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress	\$ 104,376	\$ (29,598)		\$ 74,778
Land	84,390			84,390
Lewis and Clark water rights	<u>2,399,542</u>			<u>2,399,542</u>
Total capital assets not being depreciated	<u>2,588,308</u>	<u>(29,598)</u>		<u>2,558,710</u>
Capital assets being depreciated:				
Water and sewer plants	4,956,893	25,115		4,982,008
Equipment and vehicles	818,867	32,104		850,971
Infrastructure	<u>4,725,504</u>	<u>449,349</u>		<u>5,174,853</u>
Total capital assets being depreciated	<u>10,501,264</u>	<u>506,568</u>		<u>11,007,832</u>
TOTAL COST OF CAPITAL ASSETS	<u>13,089,572</u>	<u>476,970</u>		<u>13,566,542</u>
ACCUMULATED DEPRECIATION:				
Water and sewer plants	3,036,668	109,405		3,146,073
Equipment and vehicles	466,906	50,603		517,509
Infrastructure	<u>1,312,890</u>	<u>123,787</u>		<u>1,436,677</u>
TOTAL ACCUMULATED DEPRECIATION	<u>4,816,464</u>	<u>283,795</u>		<u>5,100,259</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS - NET	<u>\$ 8,273,108</u>	<u>\$ 193,175</u>		<u>\$ 8,466,283</u>
Cost of loan fees	\$ 8,750			\$ 8,750
Less - accumulated depreciation	<u>3,865</u>	<u>\$ 437</u>		<u>4,302</u>
LOAN FEES - NET	<u>\$ 4,885</u>	<u>\$ (437)</u>		<u>\$ 4,448</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Sheldon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 12, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sheldon, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "W. L. H. L. H. L. H.", is positioned in the lower right area of the page.

January 12, 2010

CITY OF SHELDON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

Reportable Conditions:

No material weaknesses in internal control over financial reporting were reported.

Instances of Non-Compliance:

No findings were noted.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- 09-II-A Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed budgeted amounts.
- 09-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 09-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 09-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Rensink, Council Member, Owner of Perspective Insurance	Insurance	\$110,204
Kurt Tatsumi, Mayor, Owner of K-T Industries and Signature Printing	Printing and supplies	757
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	7,566
Dave Popkes, Council Member, Owner Dave's Appliance	Appliances	818

The transactions with Mr. Tatsumi and Mr. Popkes do not appear to be a conflict of interest since the total paid to each individual was less than \$1,500.

The transactions with Mr. Rensink do not appear to be a conflict of interest since they relate primarily to payment on the City's Iowa Community Assurance Pool (ICAP) insurance policy. The contract with ICAP was signed prior to Mr. Rensink being a council member and is therefore an exception under Chapter 362.5(7) of the Code of Iowa.

The transactions with Mr. Hindt may represent a conflict of interest since the total paid to his business was more than \$1,500 and competitive bidding was not utilized.

Recommendation - The City should use the competitive bidding process when practicable.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practicable.

Conclusion - Response accepted.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting - Continued

09-II-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-II-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

09-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

09-II-H Revenue Notes - No noncompliance with revenue note provisions were noted.

09-II-I Economic Development - We noted that the City paid the Sheldon Chamber and Development Corporation \$65,000 from tax increment financing revenues, \$39,184 from hotel/motel tax, and \$60,000 from local option sales tax.

In addition, we noted that the City paid the O'Brien County Economic Development Corporation \$5,503 from tax increment financing revenues.

It appears the City properly evaluated the public purpose and requires documentation of how the funds were used.